

# Buy

(Maintained)

## Indosat Ooredoo Hutchison (ISAT IJ)

### KTA from Meeting with Management: Accelerating Market Repair and AI-Driven Growth

Last Price (Rp)	1,570
Target Price (Rp)	3,200
Previous Target Price (Rp)	3,200
Upside/Downside	+103.8%

No. of Shares (mn)	32,251
Mkt Cap (Rpbn/US\$mn)	50,634/3,097
Avg, Daily T/O (Rpbn/US\$mn)	44.6/2.7
Free Float (%)	16.2

Major Shareholder (%)	
Ooredoo Asia Pte. Ltd.	65.6
PPA Investasi Efek	9.6

EPS Consensus (Rp)	2025F	2026F	2027F
BRIDS	183.6	206.7	222.2
Consensus	175.5	205.8	229.8
BRIDS/Cons (%)	4.7	0.4	(3.3)

- IOH shifts from rotating subs, planning starter pack price hikes to 25-35k/3GB while leveraging its AI-native telco strategy.
- IOH mgmt. underscores first-mover AI positioning, aiming to expand B2B revenue to \$120mn annualized revenue through AI services in FY25.
- We maintain BUY on ISAT on the outlook of market repair and AI edge; the stock trades at 3.5x 25F EV/EBITDA, ~-2SD of its 5-year range.

#### IOH is driving market repair with its starter pack due to move to 35k/3GB

In our meeting with ISAT, it indicates the plan to raise starter pack prices to at least Rp25k for 3GB, potentially reaching Rp30-35k, while avoiding quota promotions (e.g., doubling 3GB to 6GB). The market is gradually clearing excess inventory from aggressive past promotions. IOH has shifted focus from rotating users, with its subscriber base reaching 95mn in 4Q24. Mgmt expects expansion in tower sites and distribution networks to drive subscriber and ARPU growth, with initial gains in 1Q25 and stronger upside in 1H25. It maintains 6-7% ARPU growth guidance for FY25, in line with 4Q24 guidance.

#### Positioning as AI-native telco, setting new new frontiers for experience

IOH is establishing itself as a strategic AI-native telco, embedding AI across its infrastructure, operations, and customer solutions. Following MWC Congress and its Ericsson partnership, IOH is strengthening its position in AI RAN (Radio Access Network). As an initial step, it will launch AI-driven spam reduction in 2Q25 to enhance user experience. IOH is also focusing on postpaid and premium subscribers through its Platinum packages, leveraging AI-driven hyper-personalization.

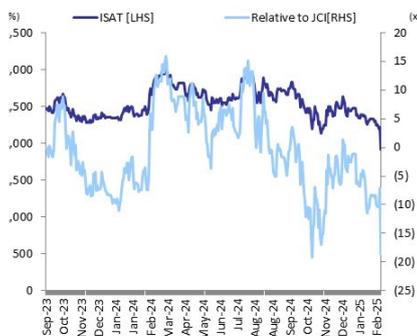
#### Positioning as an AI Factory with full stack of AI services

IOH has secured GPU-based B2B contracts worth US\$60mn annually and is in discussions to scale up to US\$120mn annualized revenue from FY25, leveraging NVIDIA's H100 and GB200 GPUs. Demand is driven by local enterprises requiring AI workloads with data residency compliance and foreign customers seeking access to Indonesia's AI capabilities. IOH also emphasizes AI sovereignty and security, partnering with Cisco.

#### AI-Growth, market repair, and enhanced user experience. maintain BUY

In our meeting, mgmt. outlined the key initiatives to strengthen its mobile segment and its roadmap to achieving its 2028 targets. IOH is leveraging its partnership with NVIDIA to build a competitive edge, offering AI capabilities for enterprise clients while enhancing the experience for subscribers. We reiterate our Buy rating on ISAT with a TP of Rp3,200. ISAT trades at an undemanding 3.5x 25F EV/EBITDA, near -2SD of its 5-year EV/EBITDA range.

#### ISAT relative to JCI Index



Source: Bloomberg

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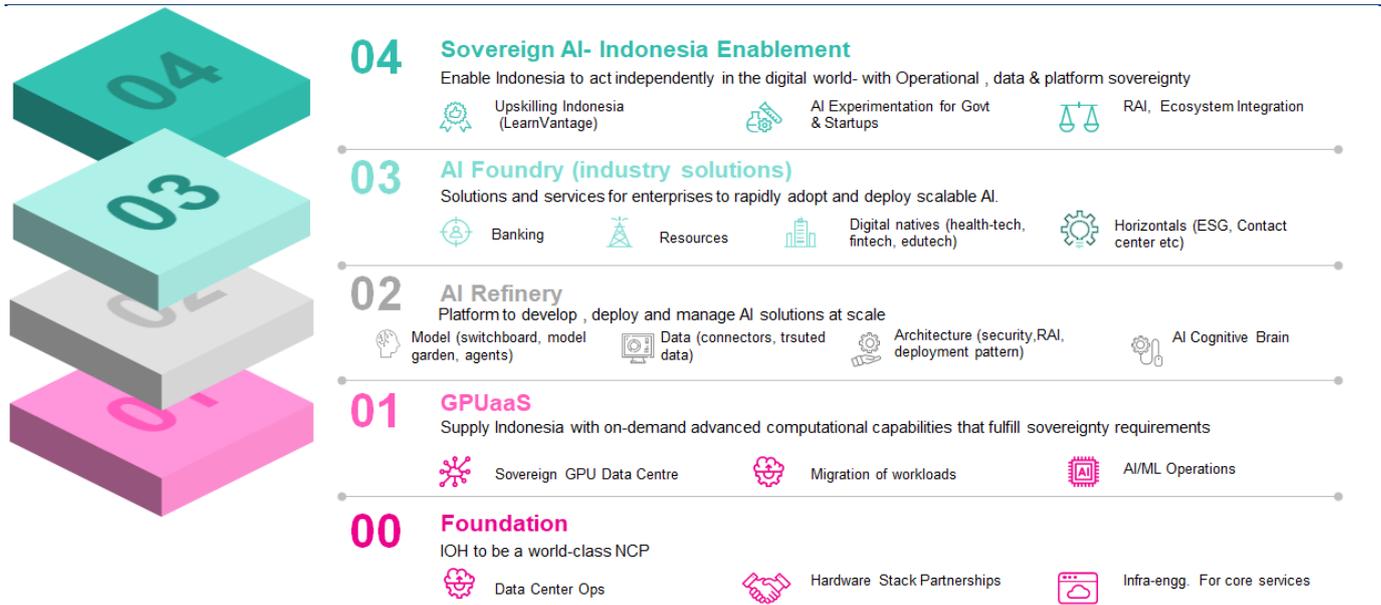
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#### Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	51,229	55,887	59,913	64,556	69,630
EBITDA (Rpbn)	23,938	26,375	28,951	31,055	33,070
EBITDA Growth (%)	23.0	10.2	9.8	7.3	6.5
Net Profit (Rpbn)	4,739	4,890	5,922	6,665	7,168
EPS (Rp)	146.9	151.6	183.6	206.7	222.2
EPS Growth (%)	0.3	3.2	21.1	12.5	7.5
BVPS (Rp)	953.3	1,038.7	1,126.4	1,204.5	1,282.1
DPS (Rp)	67.1	95.9	128.5	144.7	0.0
PER (x)	13.1	12.7	10.5	9.3	8.6
PBV (x)	2.0	1.8	1.7	1.6	1.5
Dividen yield (%)	3.5	5.0	6.7	7.5	0.0
EV/EBITDA	4.2	3.8	3.5	3.3	3.1

Source: ISAT, BRIDS Estimate

**Exhibit 1. ISAT AI growth framework**



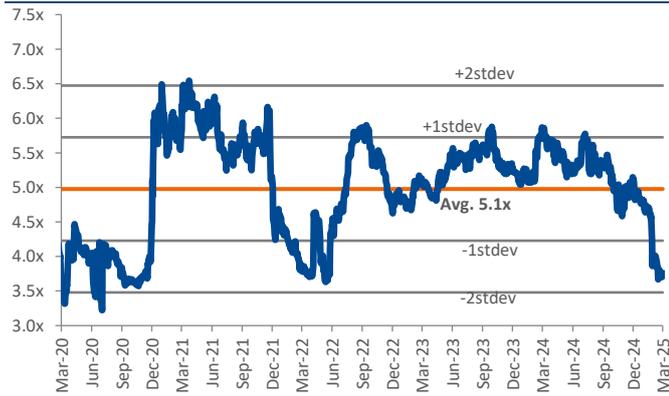
Source: Company

**Exhibit 2. Telco peers valuation**

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/ EBITDA (x)		P/BV (x)		ROAE %		Dividend yield %		
				'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'24F	'25F	'26F
EXCL	BUY	2,800	29,543	15.9	13.5	4.2	4.0	1.1	1.1	7.1	8.1	2.2	4.9	4.4
ISAT	BUY	3,200	50,634	8.5	7.6	3.5	3.3	1.4	1.3	17.0	17.7	6.1	8.2	9.2
TLKM	BUY	3,680	243,693	10.5	10.1	3.7	3.5	1.7	1.6	16.3	16.5	7.6	8.0	8.4
<b>Weighted average</b>				<b>10.9</b>	<b>10.1</b>	<b>3.7</b>	<b>3.5</b>	<b>1.5</b>	<b>1.5</b>	<b>15.0</b>	<b>15.4</b>	<b>6.4</b>	<b>7.5</b>	<b>7.9</b>
<b>Simple average</b>				<b>11.6</b>	<b>10.4</b>	<b>3.8</b>	<b>3.6</b>	<b>1.4</b>	<b>1.3</b>	<b>13.5</b>	<b>14.1</b>	<b>5.3</b>	<b>7.0</b>	<b>7.3</b>

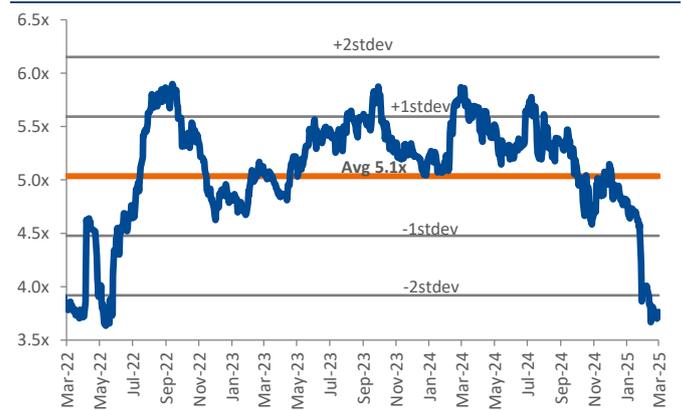
Source: Company, BRIDS Estimates

**Exhibit 3. ISAT IJ forward 5-yr EV/EBITDA band**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 4. ISAT IJ forward 3-yr EV/EBITDA band**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 5. Sector forward 5-yr EV/EBITDA band**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 6. Sector forward 3-yr EV/EBITDA band**



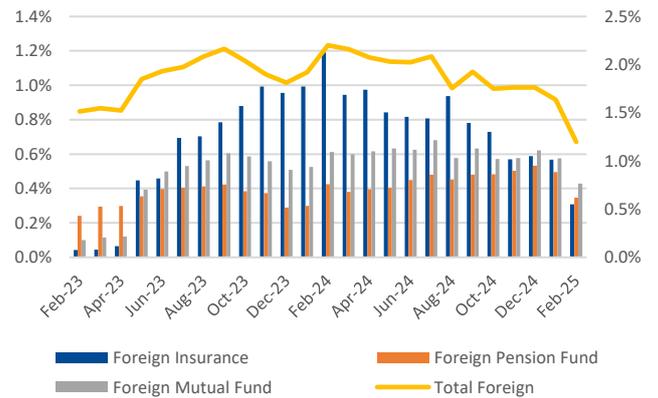
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 7. ISAT IJ forward 5-yr EV/EBITDA band**



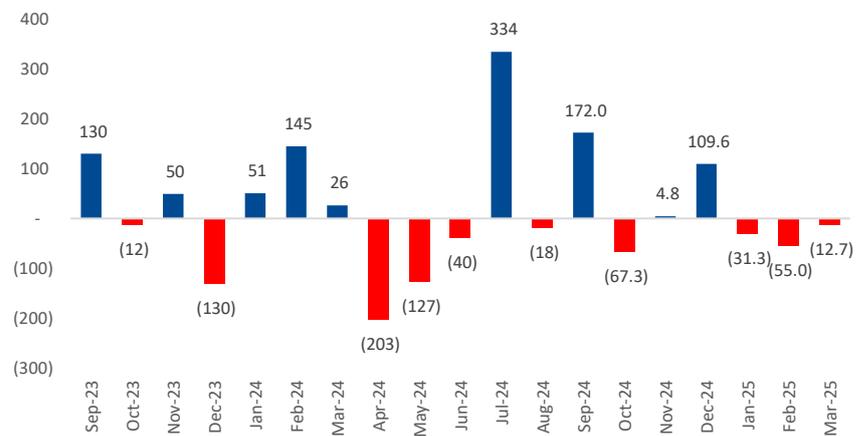
Source: KSEI, BRIDS

**Exhibit 8. ISAT IJ forward 3-yr EV/EBITDA band**



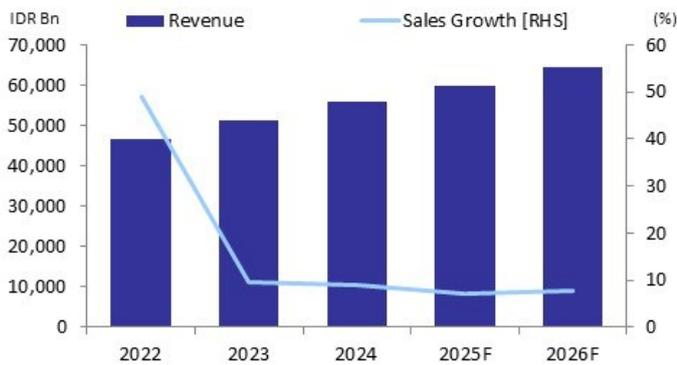
Source: KSEI, BRIDS

**Exhibit 9. ISAT's Monthly Foreign Flow (Rpbn)**



Source: IDX, Bloomberg, BRIDS

**Exhibit 10. Revenue and Growth**



Source: Company, BRIDS Estimates

**Exhibit 11. Net Profit and Growth**



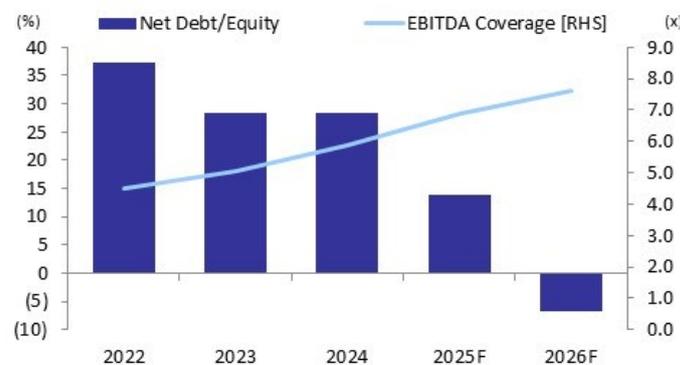
Source: Company, BRIDS Estimates

**Exhibit 12. Margins**



Source: Company, BRIDS Estimates

**Exhibit 13. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 14. Income Statement**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>51,229</b>	<b>55,887</b>	<b>59,913</b>	<b>64,556</b>	<b>69,630</b>
COGS	(39,007)	(41,751)	(44,484)	(48,253)	(52,320)
<b>Gross profit</b>	<b>12,222</b>	<b>14,136</b>	<b>15,429</b>	<b>16,303</b>	<b>17,310</b>
<b>EBITDA</b>	<b>23,938</b>	<b>26,375</b>	<b>28,951</b>	<b>31,055</b>	<b>33,070</b>
<b>Oper. profit</b>	<b>9,317</b>	<b>10,817</b>	<b>11,983</b>	<b>12,567</b>	<b>13,259</b>
Interest income	331	363	313	609	384
Interest expense	(4,725)	(4,478)	(4,193)	(4,071)	(3,836)
Forex Gain/(Loss)	(103)	9	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	1,343	0	0	0	0
<b>Pre-tax profit</b>	<b>6,164</b>	<b>6,711</b>	<b>8,103</b>	<b>9,105</b>	<b>9,806</b>
Income tax	(1,156)	(1,460)	(1,783)	(2,003)	(2,157)
Minority interest	(269)	(362)	(398)	(438)	(481)
<b>Net profit</b>	<b>4,739</b>	<b>4,890</b>	<b>5,922</b>	<b>6,665</b>	<b>7,168</b>
<b>Core Net Profit</b>	<b>4,841</b>	<b>4,880</b>	<b>5,922</b>	<b>6,665</b>	<b>7,168</b>

**Exhibit 15. Balance Sheet**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	5,207	4,472	8,703	15,986	23,124
Receivables	3,144	3,282	3,518	3,791	4,089
Inventory	226	72	76	83	89
Other Curr. Asset	6,902	7,052	7,695	8,287	8,944
Fixed assets - Net	72,861	74,143	63,006	56,228	49,359
Other non-curr.asset	26,382	25,366	30,397	30,724	31,128
<b>Total asset</b>	<b>114,722</b>	<b>114,387</b>	<b>113,394</b>	<b>115,098</b>	<b>116,733</b>
ST Debt	2,487	3,869	4,001	4,149	4,313
Payables	11,460	9,321	9,779	10,317	10,955
Other Curr. Liabilities	20,188	17,818	19,243	21,082	22,453
Long Term Debt	12,295	11,030	9,993	9,060	8,219
Other LT. Liabilities	34,584	35,696	32,497	29,932	27,556
<b>Total Liabilities</b>	<b>81,013</b>	<b>77,735</b>	<b>75,513</b>	<b>74,539</b>	<b>73,496</b>
Shareholder's Funds	30,746	33,498	36,327	38,846	41,348
Minority interests	2,963	3,153	1,554	1,713	1,889
<b>Total Equity &amp; Liabilities</b>	<b>114,722</b>	<b>114,387</b>	<b>113,394</b>	<b>115,098</b>	<b>116,733</b>

**Exhibit 16. Cash Flow**

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
Net income	4,739	4,890	5,922	6,665	7,168
Depreciation and Amort.	14,621	15,558	16,968	18,487	19,811
Change in Working Capital	(1,064)	194	(194)	(189)	(211)
Other Oper. Cash Flow	4,538	(259)	4,322	5,010	4,567
<b>Operating Cash Flow</b>	<b>22,834</b>	<b>20,383</b>	<b>27,019</b>	<b>29,973</b>	<b>31,334</b>
Capex	(10,779)	(8,823)	(5,322)	(11,200)	(12,432)
Others Inv. Cash Flow	(7,556)	(6,639)	(5,227)	(227)	(530)
<b>Investing Cash Flow</b>	<b>(18,335)</b>	<b>(15,462)</b>	<b>(10,549)</b>	<b>(11,427)</b>	<b>(12,962)</b>
Net change in debt	(2,113)	995	(3,499)	(3,110)	(2,807)
New Capital	(351)	196	(1,599)	159	176
Dividend payment	(2,062)	(2,164)	(3,094)	(4,146)	(4,665)
Other Fin. Cash Flow	(4,042)	(4,705)	(4,046)	(4,167)	(3,936)
<b>Financing Cash Flow</b>	<b>(8,567)</b>	<b>(5,678)</b>	<b>(12,238)</b>	<b>(11,264)</b>	<b>(11,233)</b>
<b>Net Change in Cash</b>	<b>(4,068)</b>	<b>(757)</b>	<b>4,231</b>	<b>7,283</b>	<b>7,139</b>
Cash - begin of the year	9,508	5,207	4,472	8,703	15,986
Cash - end of the year	5,207	4,472	8,703	15,986	23,124

**Exhibit 17. Key Ratios**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	9.6	9.1	7.2	7.8	7.9
EBITDA	23.0	10.2	9.8	7.3	6.5
Operating profit	61.6	16.1	10.8	4.9	5.5
Net profit	0.3	3.2	21.1	12.5	7.5
<b>Profitability (%)</b>					
Gross margin	23.9	25.3	25.8	25.3	24.9
EBITDA margin	46.7	47.2	48.3	48.1	47.5
Operating margin	18.2	19.4	20.0	19.5	19.0
Net margin	9.2	8.7	9.9	10.3	10.3
ROAA	4.1	4.3	5.2	5.8	6.2
ROAE	16.0	15.2	17.0	17.7	17.9
<b>Leverage</b>					
Net Gearing (x)	0.3	0.3	0.1	(0.1)	(0.2)
Interest Coverage (x)	2.0	2.4	2.9	3.1	3.5

Source : ISAT, Danareksa Estimates

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**INVESTMENT RATING**

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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